

Message Text

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ACTION EUR-12

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TAGS: PINT, ELAB, PINR, EFIN

SUBJECT: MILAN'S MULTINATIONAL PIRELLI IS LABOR BRIGHT SPOT

1. NEWSPAPER ACCOUNTS OF LABOR AGITATION IN RUBBER INDUSTRY TO THE CONTRARY, BOTH MANAGEMENT AND UNION REGARD CURRENT RELATIONS AND FUTURE PROSPECTS AS MOST UNTRoubLED EVER. THIS FINDING EMERGES FROM CONVERSATIONS BY LABOR OFFICER WITH PIRELLI DIRECTOR OF PERSONNEL AND WITH (PSI) PROVINCIAL SECRETARY OF CGIL CHEMICAL WORKERS (REPRESENTING WORKERS IN RUBBER INDUSTRY). THEY EXPECT RENEWAL OF YEARLY LABOR CONTRACT, NOW UNDER NEGOTIATION, TO TAKE PLACE WITH ONLY MINOR INCREASES IN COSTS.

2. REASON THAT GENERALLY SMOOTH SAILING PREVAILS IN KEY INDUSTRY AT TIME WHEN TRADE UNION DISAGREEMENTS WITH GOVERNMENT ARE OCCUPYING HEADLINES WAS, ACCORDING TO OUR CONTACTS, THAT PIRELLI-INDUSTRY BELLWETHER-HAS LONG TAKEN PAINS TO KEEP PLANT WORKERS INFORMED OF COMPANY POLICIES AND THEIR UNDERLYING RATIONALE. TWO FACTORS IN PARTICULAR MOVED PIRELLI TO MAKE SPECIAL EFFORT TO AVOID LABOR TROUBLE. RUBBER INDUSTRY INVESTMENT PER WORKER IS LIMITED OFFICIAL USE

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EXCEPTIONALLY HIGH, MAKING ADEQUATE PLANT UTILIZATION ECONOMIC NECESSITY; AND MANPOWER COSTS, A REPRESENTED BETTER THAN HALF OF ALL PRODUCTION COSTS, MEANING THAT FORMER DETERMINE PROFITABILITY TO EXTRAORDINARY DEGREE. CONSIDERATIONS OF THIS SORT PREDOMINATED WHEN, IN FALL OF 1975, DECISION WAS MADE TO REDUCE WORKING FORCE AT ONE OF MILAN'S PIRELLI PLANTS FROM 12,000 TO 9,500.

COMPANY DEVISED EARLY RETIREMENT PLAN THAT PERMITTED 900 WORKERS TO RECEIVE UNEARNED CREDIT OF AS MUCH AS THREE YEARS IN ADDITION TO SEVERANCE PAY EXCEEDING NORM. THIS METHOD PLUS WORKER ATTRITION ALLOWED REQUIRED REDUCTION IN FORCE WITHOUT FIRING SINGLE WORKER. PIRELLI'S PERSONNEL DIRECTOR AND CGIL OFFICIAL AGREED THAT DIALOGUE BECAME DIFFICULT ONLY WHEN OUTSIDE PUBLICITY INTERVENED.

3. RECENT NEWSPAPER ACCOUNTS OF LABOR TROUBLE IN RUBBER INDUSTRY, SAID OUR CONTACTS, ARE LESS MEANINGFUL THAN THEY MIGHT APPEAR. THREE-HOUR FEBRUARY 24 NATION- WIDE STRIKE OF CHEMICAL WORKERS, FOR EXAMPLE, HAD BEEN PROMPTED BY CHEMICAL WORKER'S DESIRE NOT TO BE LEFT BEHIND BY METALWORKERS, COMPARED WITH WHOM THEY ARE OFTEN CHARGED WITH LACKING SUFFICIENTLY MILITANT SPIRIT. MORE IMPORTANTLY, PIRELLI HAD DRAWN MUCH PUBLICITY AND CRITICISM BY LAYOFF OF 3,000 WORKERS IN ITS CABLE DIVISION. LAYOFFS, HOWEVER, WERE FOR THREE WEEKS ONLY AND HAD BEEN STAGGERED TO PRODUCE LEAST DISLOCATION. L'UNITA MAY FAULT PIRELLI FOR NOT INCREASING INVESTMENTS IN SOUTH, SAID PIRELLI EXECUTIVE, BUT UNION NEGOTIATORS AGREE WITH COMPANY POSITION THAT " NO ONE WINS WHEN WE THROUGH MONEY OUT WINDOW." UNIONS HAD IN FACT NOT OBJECTED TO LAYOFF. THEY REALIZED THAT WITH BULK OF CABLE DIVISION'S PRODUCT SOLD TO TWO STATE ENTERPRISES (ENEL AND SIP), PRODUCTION MUST BE CUT WHEN THESE CUSTOMERS CUT BACK ON ORDERS.

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4. COMMENT. PIRELLI'S GOOD INDUSTRIAL RELATIONS APPEAR DUE IN LARGE PART TO EXCEPTIONAL LENGTHS COMPANY HAS GONE TO KEEP LABOR PEACE. COMPANY APPEARS TO HAVE ACHIEVED DEGREE OF CONSENSUS WITH WORKERS THAT WOULD BE HARD TO MATCH ANYWHERE, LET ALONE IN ITALY. BUT PIRELLI NO DOUBT BENEFITS AS WELL FROM LABOR'S GENERALLY DEFENSIVE POSTURE WHERE LABOR-MANAGEMENT (AS OPPOSED TO LABOR-GOVERNMENT) RELATIONS ARE CONCERNED. FROM THIS ASPECT PIRELLI SITUATION NOT MARKEDLY DIFFERENT FROM THAT OF NUMBER OF OTHER COMPANIES IN THIS AREA. INTERNATIONAL PAPER, FOR EXAMPLE, HAD SUCCESSFULLY CUT FIFTEEN PERCENT OF ITS LABOR FORCE OVER PAST YEAR AND HAS JUST CONCLUDED COMPANY LEVEL WAGE NEGOTIATIONS THAT CALLED FOR PAY INCREASE OF ONLY 1.7 PERCENT PER YEAR OVER THREE YEARS, LOWEST IN COMPANY'S HISTORY HERE. ALTHOUGH PIRELLI APPEARS TO HAVE BEEN ADROIT AND FARSIGHTED IN ITS RELATION WITH UNIONS, OUR EXPERIENCE IS THAT MANY OTHER COMPANIES MAYBE EVEN MOST ARE HAPPIER ABOUT THEIR OWN UNION SITUATION THAN THEY HAVE BEEN IN MANY YEARS.FINA

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